

MINISTRY OF TOURISM, PARKS, CULTURE AND SPORT
COMMERCIAL REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2010



SASKATCHEWAN

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Commercial Revolving Fund as at March 31, 2010 and the statements of operations and accumulated surplus, and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 7, 2010

Brian Atkinson, FCA
Acting Provincial Auditor

Statement 1

COMMERCIAL REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|-------------------|
| Financial Assets: | | |
| Accounts receivable (Note 8) | \$ 603,816 | \$ 994,390 |
| Due from General Revenue Fund | 3,353,835 | 1,260,187 |
| Inventories for resale | 231,589 | 208,375 |
| TOTAL FINANCIAL ASSETS | <u>4,189,240</u> | <u>2,462,952</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 1,772,192 | 1,291,651 |
| Unearned revenue | 1,109,223 | 584,339 |
| Accumulated net expenditure (Statement 3) | 1,641,164 | 1,057,290 |
| TOTAL LIABILITIES | <u>4,522,579</u> | <u>2,933,280</u> |
| Net Debt | <u>(333,339)</u> | <u>(470,328)</u> |
| Non-Financial Assets: | | |
| Prepaid expenses | 12,069 | 11,833 |
| Inventories held for consumption | 996,948 | 947,623 |
| TOTAL NON-FINANCIAL ASSETS | <u>1,009,017</u> | <u>959,456</u> |
| Accumulated surplus (Statement 2 and Note 4) | <u>\$ 675,678</u> | <u>\$ 489,128</u> |

see accompanying notes to the financial statements

Statement 2

COMMERCIAL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31

| | <u>2010</u> | <u>2010</u> | <u>2009</u> |
|--|--------------------|-------------------|-------------------|
| | Budget | Actual | Actual |
| | (Note 7) | | |
| Revenues: | | | |
| Camping | \$ 6,202,000 | \$ 7,137,499 | \$ 5,446,604 |
| Cottage leases | 1,986,000 | 2,030,702 | 1,992,619 |
| Park entry | 2,065,000 | 2,160,063 | 2,061,428 |
| Resource management leases | 780,000 | 936,690 | 847,552 |
| Commercial leases | 500,000 | 561,983 | 546,311 |
| Swimming and accommodation | 507,000 | 439,587 | 409,246 |
| Facility rental income | 160,000 | 135,727 | 132,689 |
| Interest revenue | --- | 136,247 | 119,020 |
| Other | 338,000 | 341,067 | 300,264 |
| | <u>12,538,000</u> | <u>13,879,565</u> | <u>11,855,733</u> |
| Expenses: | | | |
| Salaries and benefits | 14,741,000 | 13,835,997 | 12,754,416 |
| Contractual services | 3,060,000 | 3,938,131 | 3,184,913 |
| Supplies and services | 2,562,000 | 2,642,699 | 2,283,991 |
| Travel and business | 1,406,000 | 1,201,117 | 1,246,784 |
| Communication | 315,000 | 334,413 | 236,246 |
| Equipment | 200,000 | --- | --- |
| Bad debt | --- | 572,854 | 149,834 |
| Bank charges | 103,000 | 157,637 | 114,852 |
| Other | --- | 22,000 | 12,815 |
| | <u>22,387,000</u> | <u>22,704,848</u> | <u>19,983,851</u> |
| Loss from operations | (9,849,000) | (8,825,283) | (8,128,118) |
| Subsidy from General Revenue Fund | 9,799,000 | 9,011,833 | 8,205,000 |
| Annual Surplus (Note 9) | <u>\$ (50,000)</u> | 186,550 | 76,882 |
| Accumulated surplus, beginning of year | | 489,128 | 412,246 |
| Accumulated surplus, end of year (Statement 1) | | <u>\$ 675,678</u> | <u>\$ 489,128</u> |

see accompanying notes to the financial statements

Statement 3

COMMERCIAL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

| | <u>2010</u> | <u>2009</u> |
|--|-------------------------------------|-------------------------------------|
| Financing required for operating activities: | | |
| Annual Surplus | \$ 186,550 | \$ 76,882 |
| Net (decrease) increase in working capital items related to operations (Note 5) | <u>(770,424)</u> | <u>1,118,021</u> |
| Net financing (used in) required for operating activities | <u>(583,874)</u> | <u>1,194,903</u> |
| Net (decrease) increase in financing requirement | (583,874) | 1,194,903 |
| Accumulated net expenditure, beginning of year | (1,057,290) | (2,252,193) |
| Accumulated net expenditure, end of year (Statement 1) | <u><u>\$ (1,641,164)</u></u> | <u><u>\$ (1,057,290)</u></u> |

see accompanying notes to the financial statements

COMMERCIAL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2010

1. Authority and Definition of Reporting Entity

The Commercial Revolving Fund (Revolving Fund) operates under the authority of Section 18 of *The Natural Resources Act*. The purpose of the Revolving Fund is to conduct commercial activities required for the promotion, development, and management of provincial parks.

Pursuant to Order in Council 900/07, the Ministry of Tourism, Parks, Culture and Sport (TPCS) is responsible for the Revolving Fund effective November 21, 2007.

2. Significant Accounting Policies

The financial statements are prepared using Canadian Generally Accepted Accounting Principles (GAAP). As recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, PSAB classifies the fund as an other government organization. These financial statements do not present a cash flow statement or statement of change in net debt because the required information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 5. The following accounting policies are considered significant.

a) Accounts Receivable

Accounts Receivable consists of receivables for oil, gas, cottage and commercial leases net of Allowance for Doubtful Accounts.

b) Inventories

Resale inventory consists of maps, wildlife manuals, pins, and other miscellaneous items that are valued at the lower of average cost and net realizable value.

c) Unearned revenue

Unearned revenue consists of deposits on reservations and mineral leases made in advance.

d) Accumulated Net (Expenditure) Recovery

The accumulated net (expenditure) recovery of the Revolving Fund includes the net (increase) decrease in financing requirements for each fiscal year.

e) Revenue Recognition

Revenues, other than lease revenues, are recognized when permits are issued and/or services are provided. Lease revenues are recognized when lease payments are due.

f) Subsidy from General Revenue Fund

The subsidy from the General Revenue Fund is recognized when received or receivable.

g) Non-Financial Assets

Inventory held for consumption is recorded at cost and is expended as it is consumed.

h) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net working capital changes and net cash flows from operations.

i) Estimates

These statements are prepared in conformity with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Authorized Financing

Section 18(10) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of \$4,000,000 was established by Order in Council 516/94.

4. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or request for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated operating surplus (deficit) as \$350,000.

5. Net Change in Working Capital Items Related to Operations

| | 2010 | 2009 |
|--|---------------------|---------------------|
| Decrease (increase) in accounts receivable & prepaid expenses | \$ 390,338 | \$ (123,761) |
| (Increase) decrease in due from General Revenue Fund | (2,093,648) | 695,308 |
| Increase in inventories | (72,539) | (96,901) |
| Increase in accounts payable & unearned revenue | 1,005,425 | 643,375 |
| Net (increase) decrease in working capital items related to operations | <u>\$ (770,424)</u> | <u>\$ 1,118,021</u> |

6. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. These transactions at year end are as follows:

| <u>Category</u> | <u>2010</u> | <u>2009</u> |
|--|--------------|--------------|
| Expenses: | | |
| Contractual services | \$ 1,265,327 | \$ 1,173,501 |
| Travel and business | 877,692 | 890,613 |
| Supplies and services | 41,571 | 49,758 |
| Due from General Revenue Fund | 3,353,835 | 1,260,187 |
| Accounts payable and accrued liabilities | 224,200 | 87,859 |

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Ministry of Tourism, Parks, Culture and Sport is responsible for the acquisition of land for provincial parks. Therefore, land is not reflected in these financial statements. However, in accordance with *The Natural Resources Act* the Revolving Fund is credited with all rents and fees with respect to land.

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the ministerial appropriations and therefore no provision for such costs is reflected in these financial statements.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

7. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

8. Financial Instrument Risks

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. An allowance for doubtful accounts is recorded for these accounts that are considered uncollectible. The Revolving Fund has recorded an allowance for doubtful accounts of \$1,269,516 (2009 - \$696,885). The Revolving Fund has no significant liquidity risk or interest rate risk.

9. Amount Reported in Public Accounts

The net expense of the Revolving Fund reported in the Public Accounts is the net loss of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

| | 2010 | 2009 |
|--|-------------------|--------------------|
| Annual Surplus | \$ 186,550 | \$ 76,882 |
| Increase in inventories | (72,539) | (96,901) |
| Net recovery (expense) reported in Public Accounts | <u>\$ 114,011</u> | <u>\$ (20,019)</u> |

